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Message Text

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ACTION AGRE-00

INFO OCT-01 EUR-12 ISO-00 EB-08 L-03 AID-05 COME-00
STR-07 CIAE-00 INR-10 NSAE-00 /046 W
----------098031 240945Z /10
P 231100Z MAY 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 5800

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PASS AGRICULTURE OGSM, FAS

E. O. 11652: N/A
TAGS: EAID,EAGR, PO
SUBJECT: PL 480 NEGOTIATIONS

REF: LISBON 3375

1. FORMAL NEGOTIATING SESSIONS ON A FY 1978 PL 480 AGREEMENT WERE HELD MAY 8 AND MAY 15. IN FIRST SESSION USG NEGOTIATORS PRESENTED TALKING POINTS PAPER WHICH EMBODIED RECENT AMENDMENTS TO LAW, AND REGULATION CHANGES. GOP NEGOTIATORS AGREED TO STUDY THE PAPER AS A BASIS FOR NEGOTIATIONS IN FOLLOWING SESSIONS. IN SECOND SESSION GOP REPRESENTATIVES REQUESTED A NUMBER OF MINOR CLARIFICATIONS AND THEN RAISED ISSUED OF UMR'S

2. RICE
GOP REPRESENTATIVES REQUESTED THAT UMR, INCLUDING 1977 CARRYOVER OF 8,000TONS BE REDUCED TO 29 THOUSAND TONS.

DURING THE DUSCUSSION, GOP REPRESENTATIVES AGREED TO RAISE THIS FIGURE TO 37,000 TONS. USG NEGOTIATORS AGREED TO QUERY WASHINGTON ABOUT THE POSSIBILITY OF REDUCTION.
FOR REASONS CITED LISBON 3116, EMBASSY STRONGLY URGES APPROVAL 37 THOUSAND TONS UMR.
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3. COTTON:
GOP NEGOTIATORS REQUESTED UMR BE LOWERED TO 450 THOUSAND BALES AND THAT DELIVERY PERIOD BE EXTENDED INTO FY 79. USG NEGOTIATORS AGREED TO QUERY WASHINGTON BUT POINTED OUT THAT FY 77 SHORTFALL WOULD HAVE TO BE ADDED TO THE FY 78 UMR. GOP NEGOTIATORS INDICATED THEY NOT

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AWARE SHORTFALL. IT WAS AGREED ISSUES WOULD BE DISCUSSED
INFORMALLY. IN THOSE SUBSEQUENT DISCUSSIONS GOP REPS
WERE INFORMED THAT CARRYOVER WAS APPROXIMATELY 90 THOUSAND
BALES. GOP REPS SAID MAKE-UP OF CARRYOVER PLUS
UMR WAS NOT POSSIBLE BY END OF GY 78 GIVEN FY IMPORTS
TO DATE (302THOUSAND BALES). USG REPS ALSO POINTED
OUT THAT EXTENSION OF DELIVERY PERIOD WOULD REQUIRE THE
UMR AND EXPORT LIMITATIONS BE MAINTAINED IN FY 79. IN
VIEW OF CIRCUMSTANCES GOP REPS SAID THEY MIGHT HAVE TO
REQUEST COTTON BE EXCLUDED FROM THE AGREEMENT. THEY
AGREED TO INFORM USG REPS OF THEIR POSITION BY MAY 17.
AS YET, THEY HAVE NOT FURNISHED THEIR DEFINITE POSITION

4. ON MAY 19 THE PRESIDENT AND SEVERAL MEMBERS OF
COTTON IMPORTERS ASSOCIATION FROM OPORTO MET WITH AGATT USG
INDICATING THAT, GIVEN THE CONDITIONS CITED ABOVE,
THEY WERE NOT INTERESTED IN USING PL 480. THEY WERE
TO MEET LATER THE SAME DAY WITH THE FOREIGN MINISTRY
AND THE INSTITUTE OF TEXTILES TO PRESENT THEIR POSITION.
(IN FY 77, THE IMPORTERS ASSOCIATION HANDLED COTTON
IMPORTS UNDER THE AGREEMENT.)

5. SELF HELP MEASURES:
THE SECOND ISSUE RAISED IN FORMAL SESSION MAY 15, WAS RELATED
TO SELF HELP PROVISIONS. AFTER BREIF STATEMENTS BY GOP
AND USG NEGOTIATORS IT WAS AGREED THE ISSUES REQUIRED
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INFORMAL DISCUSSIONS. FIRST OF THOSE DUSCUSSIONS MAY 18,
IS SUBJECT OF SEPTEL. IN VIEW OF CHANGING CONDITIONS
THE EMBASSY RECOMMENDS THE FOLLOWING LANGUAGE FOR SELF HELP
MEASURES.
A. UNDER SECTION B OF THAT ITEM, PROPOSE THE FOLLOWING
CHANGES:
B. 2. REPLACE QUOTE FRUIT AND VEGETABLE UNQUOTE
WITH QUOTE FOOD UNQUOTE;
B. 3. CHANGE QUOTE INFORMATION UNQUOTE TO QUOTE FOR-
MULATION UNQUOTE;
B. 4. ELIMINATE. INSOFAR AS THIS IS OPERABLE IT
IS INCLUDED IN B. 3.
B. 5. ELIMINATE. THIS MEASURE IS INCLUDED UNDER B. 8.
B. 6. CHANGE TO B. 4.
B. 7. CHANGE TO B. 5 AND REPLACE WITH QUOTE
DEVELOP THE FISHERIES INDUSTRY, INCLUDING BOTH PRODUCTION
AND MARKETING UNQUOTE.
B. 8. CHANGE TO B. 6.
ADD NEW B. 7. AS FOLLOWS: QUOTE ECCOURAGE
PRACTICAL APPLIED RESEARCH DIRECTLY RELATED TO THE
PRODUCTION OBJECTIVES OF FARMERS AND IMPROVE EFFECTIVE-
NESS OF EXTENSION SERVICES TO TRANSFER TECHNOLOGY TO

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SMALL AND MEDIUM FARMERS, UNQUOTE.

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ITEM VI.
ADD NEW SECTION B. AS FOLLOWS: QUOTE THE GOVERN-
MENT OF PORTUGAL AGREES TO NAME A COORDINATING COMMITTEE
RESPONSIBLE FOR THE ALLOCATION OF PROCEEDS GENERATED
UNDER THIS AGREEMENT. THIS ALLOCATION, EXCEPT AS OTHER-
WISE AGREED, WILL BE BASED TO THE MAXIMUM EXTENT POSSIBLE
ON THE GOVERNEMNT'S AGRICULTURAL DEVELOPMENT PLAN 1977-
1980 AND WILL GENERALLY SUPPORT A) INVESTMENTS DIRECTLY
RELATED TO REGIONAL PRODUCTION PROGRAMS BEING INITIATED
IN ACCORDANCE WITH THE ABOVE-MENTIONED PLAN; AND B)
ELEMENTS OF NATIONAL SERVICE PROGRAMS WHICH ARE DIRECTLY
RELATED TO SUPPORTING THE REFERRED-TO REGIONAL
PRODUCTION PROGRAMS.
CHANGE SECTION VI B OF ORIGINAL TEXT TO VI C.

6. FYI. THE ABOVE CHANGE IS THE RESULT OF LENGTHY
DISCUSSIONS WITH THE GOVERNMENT OF PORTUGAL TO USE PL
480 PROCEEDS AS A TOOL OF INTEGRATED AGRICULTURAL PLANNING
AND PROGRAMMING. IN SUM, THE GOP HAS DEVELOPED A PLAN OF OBJECTIVES
DIVIDING THE COUNTRY INTO 8 AGRICULTURAL REGIONS AND DECENTRALIZING
MINISTRY OF AGRICULTURE SERVICES TO THOSE REGIONS.
FOR EACH REGION, PRESENT AVERAGE YIELDS OF MAJOR FOOD
PRODUCTS AND THE INCREASE POSSIBLE THROUGH READILY AVAIL-

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ABLE TECHNOLOGY HAVE BEEN CALCULATED. REGIONAL ENTITIES
ARE TO DEVELOP ACTION PROGRAMS WHICH INCLUDE CREDIT,
RESEARCH, EXTENSION, STORAGE, ETC. TO HELP MEET THE
PRODUCTION OBJECTIVES. THESE PROGRAMS ARE THE SO-
CALLED REGIONAL PRODUCTION PROGRAMS REFERRED TO IN THE
TEXT ABOVE. IN ADDITION, THERE ARE HORIZONTAL PROGRAMS
TO STRENGTHEN SUCH NATIONAL SERVICES AS THE LIVESTOCK
SERVICE, RESEARCH AGENCY, ETC. THESE SO-CALLED NATIONAL
SERVICE PROGRAMS ARE REFERRED TO IN THE TEXT OF THE
AGREEMENT. THEY ARE ELIGIBLE FOR FINANCING WHEN THEIR ACTIVITIES
ARE DIRECTLY RELATED TO THE REGIONAL PRODUCTION
PROGRAMS. THE CUMULATIVE EFFECT WE SEE IS TO USE PL 480
FAR MORE EFFECTIVELY AS A TOOL FOR ENCOURAGING DECENTRAL-
IZED AGRICULTURE PLANNING AND ACTION PROGRAMS FOR
THE SMALL ANDMEDIUM FARMER. (DETAILS SEPTEL). END FYI.

7. IN SECOND SESSION GOP DID NOT RAISE WHEAT FLOUR
EXPORT ISSUE. INFORMALLY USG REPS WERE TOLD GOP WOULD NOT
PURSUE ITS EARLIER REQUEST FOR EXEMPTION.

8. ACTION REQUESTED: EMBASSY RECOMMENDS WASHINGTON
APPROVE REQUESTED CHANGES IN RICE UMR'S AND SELF HELP MEASURES.
WILL ADIVSE AS SOON AS GOP PRESENTS DEFINITE POSITION ON
COTTON.
BLOOMFIELD

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